

**PATROL ADJUDICATION JOINT COMMITTEE
EXECUTIVE SUB COMMITTEE**

REPORT FOR RESOLUTION

DATE: 22ND September 2009

AGENDA ITEM: Number 9

SUBJECT: Budget Monitoring of Revenue Expenditure

REPORT OF: The Lead Officer

PURPOSE OF THE REPORT

To present the Committee with general information on the introduction of the new bank account for the PATROL Adjudication Joint Committee and present expenditure monitoring information in respect of the revenue account for the four months period ending 31st July 2009.

RECOMMENDATIONS

It is recommended that the Joint Committee:

1. Notes the information in respect of the new bank account introduced on 1st April 2009.
2. Notes the proposals for treasury management at Appendix 1.
3. Notes the expenditure monitoring information presented at Appendix 2
4. Authorises the Lead Officer to incur expenditure against the revenue budget in excess of the £2,533,488 set by the Committee should the need arise, provided such expenditure is within the total income.
5. Agree that should there be a surplus of income in the 2009/10 revenue account this is to be carried forward to the year 2010/11.
6. Agree that should there be an excess of expenditure over budget in 2009/10 that any use of the reserves is in accordance with the established Reserves Policy.

FINANCIAL CONSEQUENCES OF THE REVENUE BUDGET

There are no immediate consequences to the revenue budget.

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1. INTRODUCTION

- 1.1 At the meeting of the Executive Sub Committee held on 26 January 2009, the revenue budget estimate was approved for the year 2009/10.
- 1.2 This report provides the Committee with information in relation to the new PATROL bank account and resulting treasury management arrangements (Appendix 1).
- 1.3 Information in relation to the expenditure position for the first four months of the year 2009/10 is provided at Appendix 2.
- 1.4 The adjudication service is operated on a self-financing basis with income derived from charges made to the PATROL member authorities.

2. BACKGROUND

- 2.1 A new bank account and financial accounting system was introduced on 1st April 2009 in conjunction with the PATROL Treasurer and following discussions with Internal and External Audit. This should prove beneficial to the Joint Committee in terms of operational efficiencies and monitoring information. Positive feedback has been received in relation to the operation of the new system. In addition, internal Audit have been asked to undertake a mid-year review of the new system and associated procedures. The PATROL Treasurer will continue to prepare final accounts based on the new accounting system.
- 2.2 The move to a new bank account has required a piece of joint working between the PATROL Treasurer and PATROL's staff to finalise the opening balances for the new account. This work is still in progress and the monitoring information supplied later in this report draws attention to this fact. A further monitoring report will be presented to the January 2010 meeting which will reflect the finalised balances.
- 2.3 At the PATROL Adjudication Joint Committee in June, Members expressed an interest in the Treasury Management arrangements associated with this bank account. A Treasury Management Statement is supplied at Appendix 1. This statement will be reviewed by the Joint Committee, as a minimum, once a year.
- 2.4 Further work will be undertaken during this first year of operating the new bank account to analyse the Joint Committee's cashflow and determine whether additional interest can be obtained by transferring part of the Joint Committee's resources into a higher interest account.

3 Monitoring of Revenue Budget to 31st July 2009

Income assumptions

- 3.1 For 2009/10, forecasting was based on modeling PCN issues trends including activity since the last PCN audit. An additional amount was factored in for new councils who joined in 2008/09. In common with projections for 2008/09, no assumptions have been made about councils joining after April 2009.
- 3.2 Since setting the budget, the rate of new councils joining the scheme has slowed down considerably on 2008/09 when 46 councils joined the scheme. Initial indications by June 2009 pointed to an underachievement of income. The Joint Committee at its meeting in June 2009 agreed to increase the service charge to address this.
- 3.3 The income position at 31st July includes one month at the increased rate and indicates a positive variance of £6,940.13. Additional income will be available as a result of recharges to the Bus Lane Adjudication Service Joint Committee in respect of adjudication services provided.

4 Expenditure

- 4.1 An assessment has been made of the revenue budget that will be needed to meet the demands on the service during 2009/10. The assessment has taken into account spending that will be needed to sustain the adjudication service to councils already in the scheme and those joining in 2009/10.
- 4.2 In setting expenditure levels for 2009/10, the following steps were taken:
 - Inflation has not been applied to each budget line.
 - Some areas of expenditure capped at below 2008/09 levels.
 - Expenditure restricted to core areas with development activities deferred pending availability of funds.
- 4.3 Appendix 2 provides details of expenditure at 31st July 2009. It should be noted that pending finalization of the closing and opening balances in respect of the new bank account, some variances in monitoring information may arise between this report and the report to the Executive Sub Committee in January 2010. Further information in respect of the variances will be supplied at the meeting.

APPENDIX 1: PATROL ADJUDICATION JOINT COMMITTEE TREASURY MANAGEMENT STATEMENT

Background

From 1st April 2009, PATROL's accounts have been transferred to QuickBooks and a PATROL bank account has been set up with the Co-operative Bank.

Current Position

This bank account will attract interest at the current base rate (0.50%). Conversely should the account go overdrawn, an overdraft charge of base rate + 1% will be charged. Interest is paid / charged on a quarterly basis and is calculated on the cash balance for the previous quarter.

Future Arrangements

The Joint Committee's cash flow will be monitored to explore the possibility of future investment gaining a higher return on cash balances. Before this can take place there needs to be an understanding of the ebb and flow of the everyday transactions to determine whether there will be any cash balances in excess of current requirements.

APPENDIX 2: BUDGET MONITORING AT 31ST JULY 2009

Analysis	Budget 2009/10 £	Profiled Budget to 31st July 2009	Actuals to 31st July 2009	Variance (Underspend) Overspend to 31 ST July 2009
Expenditure:				
Adjudicators	868,632	249,729.62	240,346.26	(9,383.36)
Staff	742,657	256,435.58	238,447.37	(17,988.21)
Premises / Accommodation	173,106	73,435.04	68,046.31	(5,388.73)
Transport	38,150	12,716.64	8,197.05	(4,519.59)
Supplies and services	286,958	109,194.08	161,751.35	52,557.27
ICT	328,440	109,480.00	44,074.61	(65,405.39)
Service Management and Support	53,045	0	0	0
Audit Fee	12,500	0	0	0
Contingency	50,000	0	0	0
Total Expenditure	2,553,488	810,990.96	760,862.95	(50,128.01)
Income:				
Annual contribution	0	0	0	0
Penalty Charge Notices	2,441,432	813,810.95	820,751.08	6,940.13
Adjudication case charge	0	0	0	0
Contribution from Reserves	50,000	0	0	0
Recharge for Bus Lane Adjudication Costs	62,056	0	0	0
Total Income	2,553,488	813,810.95	820,751.08	6,940.13
Net (Surplus)/Deficit	0	(2,819.99)	(59,888.13)	(57,068.14)